

**Finance and Administration Cabinet**  
**Capital Project Accounts Closing Process Guideline**  
**July 1, 2002**

The purpose of this guideline is to formalize the requirements and process for closing Capital Construction project accounts, as referenced in KRS 45.770(4). Heretofore, the closing process has been undefined, resulting in substantial funding sometimes remaining in projects. Accordingly, through discussions among the staffs of the Finance and Administration Cabinet (FAC), the Governor's Office for Policy and Management (GOMP), and the Legislative Research Commission (LRC), the following process is adopted. This Policy, which facilitates the transfer of moneys constituting the available balance in a project to the proper account(s), shall be effective July 1, 2002.

1. Definitions:
  - a. "Beneficial occupancy" means the date an agency takes possession of or occupies a facility.
  - b. "Project has been accepted by the Commonwealth" and "project acceptance" mean the date one (1) year after the actual date of beneficial occupancy, as certified by the Division of Engineering. This coincides with the standard one (1) year construction warranty period.
2. A capital construction project account shall be closed within thirty (30) days after project acceptance, in accordance with KRS 45.700(4). A state agency or university shall close a capital construction project account within thirteen (13) months from the date of beneficial occupancy, unless special circumstances apply.
3. The Finance and Administration Cabinet's Department for Facilities Management, Division of Engineering shall modify its Quarterly Capital Construction Report (Quarterly Report) to reflect estimated completion date and actual date of beneficial occupancy. The Division of Engineering shall formally notify the agency of the actual date of beneficial occupancy for each agency project.
4. Division of Engineering shall publish the most current Quarterly Report to a network or Internet location accessible by all agencies. An agency shall monitor its capital construction projects as they approach the thirteen (13) month closeout deadline. An agency shall either initiate the documents to close a project in a timely manner or provide sufficient written justification for approval to allow the project account to remain open beyond the closing deadline.
5. If an agency has mitigating circumstances that prevent project closure within the thirteen (13) month closeout period, the agency shall provide written justification for the delay to GOMP and the Division of Engineering. If a delay in closing the project is approved, this information shall be listed in the comments section of the Quarterly Report addendum.
6. The Division of Engineering shall create an addendum to the Quarterly Report to contain:
  - a. Projects that have reached the thirteen (13) month closeout deadline;
  - b. Status of each project;
  - c. If the project has not been closed, the remaining balance of project funds; and
  - d. Comments explaining miscellaneous project information or the reason the project has not been closed.
7. Agency officials shall be prepared to appear before the Capital Projects and Bond Oversight Committee to explain the circumstances that require a project to remain open after the thirteen (13) month closeout period.